

retired Educator

SPECIAL EDITION FOR CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM BENEFIT RECIPIENTS



Outstanding Year for Benefits

by Marty Mathiesen

THIS IS THE BEST YEAR YET FOR BROAD BENEFIT INCREASES. Teachers, both active and retired, have gotten a wider range of benefits this year than in any other. Among other increases, we'll see allowance increases for more of the oldest and poorest of our retired members as well as Medicare coverage for those who don't have it now.

This special edition of the *Retired Educator* outlines the new benefits, and tells who will be affected and when they can expect to hear directly from CalSTRS. If you're getting an increase in your monthly allowance, you don't need to contact CalSTRS, they will mail you information and the money due you.

Once again, the race to the benefit increases went down to the wire. On August 31, in the closing minutes of the legislative session, the Legislature passed the last of a package of benefit bills. Governor

Gray Davis signed this package into law on September 30, 2000.

Most of these bills were designed to encourage current teachers to stay in the profession longer. However, there were some bills that boosted current retired members' allowances. In addition to the benefit package, other legislation was also passed and signed by Gov. Davis affecting benefit recipients. In the following pages, each will be described.

Look inside for more information on this newly enacted legislation:

AB 429 — One-time allowance increase

AB 820 — New spouse as option beneficiary

AB 1733, AB 1736 and SB 1666 — Post-retirement earnings limitations

SB 1435 — Medicare Part A benefits

SB 1505 — Extension of minimum guarantee

Many Will See One-Time Boost

ASSEMBLY BILL 429 (CHAPTER 1027, STATUTES OF 2000) increases the benefit paid to current benefit recipients. This is a one-time, permanent increase, commonly called an "ad-hoc increase." It is based on the calendar year in which the benefit was first payable. Please see chart at the end of this article.

Who is Eligible

All CalSTRS benefit recipients (disabled or retired members and beneficiaries) who became eligible for a benefit on or before December 31, 1997 are eligible for this benefit. In the case of a beneficiary, his or her ad-hoc increase will be based on the date the CalSTRS member died, not the date the now-deceased CalSTRS member began receiving his or her retirement allowance.

Effective Date

The ad-hoc increase will be based on the monthly allowance payable on January 1, 2001, excluding minimum guarantee payments. If you are eligible to receive the increase, you will receive a notification letter by the end of June. The

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increase for June will be in your monthly allowance paid on July 1, 2001. The retroactive payment for January through May will be issued as a separate check and mailed on or about July 1. Thereafter, the increase will be included in your regular allowance payment each month.

Cost-of-Living Adjustment

Currently each September 1, you receive an increase to your allowance of 2 percent of your initial retirement allowance. This simple (not compounded) cost-of-living adjustment will also apply to your

ad-hoc increase. You will first receive this simple COLA increase on October 1, 2002.

What You Need to Do

You need to do nothing to receive this benefit. If your benefit became payable on or before December 31, 1997, CalSTRS will automatically calculate your increase and send you a retroactive check by July 1, 2001 for all that is due you for the period since January 1. Every month thereafter your allowance payment will include the increase.

Schedule for Percentage Increase

Period when disability, retirement or death occurred	Percentage increase
1998 through 2000	0%
1997	1%
1995 through 1996	2%
1990 through 1994	3%
1985 through 1989	4%
1975 through 1984	5%
1974 or earlier	6%



New Spouse Can Be Beneficiary

UNDER CURRENT LAW, IF YOU RETIRED WITHOUT SELECTING AN OPTION, you could not change that decision. Not selecting an option meant you would receive the highest, or unmodified, allowance due to you in your lifetime, without redistributing the allowance over your and the lifetime of another person. While under specific circumstances, a person who had selected an option could change options or beneficiaries, this flexibility was unavailable to persons selecting no option.

Effective January 1, 2001, Assembly Bill 820 (Chapter 1020, Statutes of 2000) will permit a retired member receiving an unmodified allowance to name a spouse as an option beneficiary. This can be done only if the retired member was unmarried on the retirement date and has been married at least one year when the option is selected and the option beneficiary is named.

The unmodified allowance will be actuarially reduced to reflect the potential life spans of the member and option beneficiary.

The option selection and beneficiary addition will be effective six months after the designation is made.

Several Measures Affect Earnings Limitation

UNDER CURRENT LAW, THE ONLY RESTRICTIONS ON EMPLOYMENT after your CalSTRS service retirement are within the California public school system. You may accept employment

outside that system in any capacity and still continue to receive your CalSTRS allowance with no limitation on your earnings.

This is not the case, however, if, after retirement, you perform CalSTRS-creditable service in K–14 and are an employee of a public school district or a third party, or are an independent contractor. With a few exceptions, there is an annual limit on the amount you can earn without affecting your CalSTRS allowance. Your CalSTRS allowance will be reduced by the amount of your creditable earnings in excess of the limit. The limit in the 2000–01 school year is \$19,650.

More Exemptions

To encourage experienced teachers back to the classroom, legislation effective January 1, 2001, increases the exemptions to the post-retirement earnings limitations:

- ◆ AB 1733 (Chapter 896, Statutes of 2000) increases the earnings limit to \$22,000. In addition, it removes the earnings limitation for members who return to teaching without performing CalSTRS-covered service for at least one year after their retire-



ment date. This latter provision will sunset, or terminate, January 1, 2008.

- ◆ AB 1736 (Chapter 351, Statutes of 2000) permanently exempts a member retired on or before July 1, 2000, as long as the member returns to teaching and provides direct remedial education in a 2–12 classroom.
- ◆ Effective September 23, 2000, SB 1666 (Chapter 70, Statutes of 2000) exempts until July 1, 2005, a member retired on or before January 1, 2000, if the member returns to:

- provide direct instruction in K–12 class **OR**
- support or assess new teachers in Beginning Teacher Support and Assessment Program **OR**
- provide support to individuals completing student teaching assignments, in Pre-internment Teaching Program, alternative certification programs or in School Paraprofessional Teacher Training Program



Medicare Part A Benefits Funded

FOR THE PAST TWO YEARS, THE TEACHERS' RETIREMENT BOARD has sought ways to relieve the health care burden of many retired educators. Earlier this year, the board decided providing Medicare Part A coverage for those without it would be an important step toward that goal.

The resulting legislation, Sentate Bill 1435 (Chapter 1032, Statutes of 2000), requires CalSTRS pay Medicare Part A premiums for retired Defined Benefit members who are not otherwise eligible for premium-free Part A. (Part A covers hospitalization.)

To receive this benefit, the retired member must also enroll in Medicare Part B, which covers doctor visits. The member will pay the Part B premium, currently \$45.50 per month.

In addition to the Part A premiums, CalSTRS will pay any applicable surcharges for late enrollment in Parts A and B as long as the retired member was 65 years old by July 1, 2001.

Voluntary Participation

Participation in this program is voluntary. Each individual must decide what is best for his or her own situation. Some retired educators may choose to retain their current arrangements for health care coverage.

Who is Eligible?

You are eligible to use this benefit if you:

- retired prior to January 1, 2001 and are not eligible for Medicare Part A without paying a premium **AND**
- are at least 65 years of age

This Medicare Part A coverage is available only to retired members and does not include others in the family.

When Will the Benefit Start

Beginning July 1, 2001, CalSTRS will pay Medicare Part A premiums for retired members otherwise not eligible for premium-free Medicare Part A as well as the Parts A and B late-enrollment penalties for those over age 65.

The premiums and penalties paid by the retired member for coverage before July 1, 2001, are the responsibilities of the retired member.

What You Need to Do

If you are already 65 years old (if not, see below) and meet the eligibility requirements above, you need to do nothing at this time. CalSTRS will send you enrollment information by January 5, 2001.

Those retired members who wish to use the CalSTRS Medicare benefit will have from January 1 to March 31, 2001, to enroll in Medicare Parts A and B.

Almost 65?

Retired members who will become 65 between October 2000 and June 2001 and who decide to use the CalSTRS Medicare benefit will have a different enrollment procedure than those already 65 years old.

Due to Medicare enrollment procedures, those turning 65 between October 2000 and June 2001 and desiring immediate Medicare coverage at age 65 will have to pay the Part A premium (\$301 per month) along with the Part B (\$45.50 per month) until July 1, 2001. At that time CalSTRS will begin to pay for Part A.

CalSTRS will identify those retired members with 65th birthdays during this period and send full details by mid-November.

For More Information

To learn more about Medicare, visit its Web site at www.medicare.gov.

Some Proposed Legislation Failed

Each year's legislative session sees proposed legislation that does not make it entirely through the process. Of the thousands of bills introduced by last February, hundreds died along the way. Bills increasing benefits for CalSTRS members were not exempt from this political reality.

Assembly Bill 2201 (Honda) and SB 1693 (Ortiz) were held in legislative committees and not considered any further by the Legislature. AB 2201, among other provisions, would have provided for compounded cost-of-living adjustments and increased the purchasing power protection program from its present 75 percent to 80 percent. SB 1693 would also have increased the purchasing power to 80 percent.

Senate Bill 1692 (Ortiz), was passed by the Legislature and sent to Governor Gray Davis for approval. SB 1692 would have allowed retired educators who return to teaching for one year to apply any retirement benefit improvements to their entire teaching service.

While agreeing with the intent of the legislation to encourage teachers to return to the classroom, the Governor vetoed this legislation. He stated he does not believe one year is a sufficient period of time to warrant the significant benefit this bill would provide. He also stated he would consider legislation that lengthens the period of time to at least two years.



Extra! Extra!



Board Picks Chief Investment Officer

The Teachers' Retirement Board has selected Christopher J. Ailman as chief investment officer. He comes to CalSTRS from his position as chief investment officer at the Washington State Investment Board.

"Chris brings the perfect mix of experience, management skills and demonstrated track record to continue our excellent portfolio performance," said Emma Zink, board chairperson. "Recognizing there's always room for improvement and innovation, I look forward to the impact his ideas and energy will have on the fund."

A 20-year veteran in investment management, Chris has been WSIB's investment chief for four years.

Before going to Washington, he spent eleven years at the Sacramento County Employees' Retirement System where he served as CIO of the pension fund for the county.

At WSIB, Chris managed a \$57 billion pool of assets held in 28 trust funds, to include funds for industrial insurance, deferred compensation, defined benefit and defined contribution programs. He led WSIB to a greater diversification of assets and a reduction in use of external managers.

Under Chris' leadership, WSIB reached \$6 billion of investments in private equity, the third largest holding in the world. The WSIB retirement fund had a 14.3 percent rate of return this past fiscal year.

Chris was recently honored by his peers, naming him CIO of the Year at the 2000 Institute for Fiduciary Education conference. Chris was presented with the annual Robert Toigo Award, which recognizes important contributions of a plan sponsor to the pension and investment community.

He received a Bachelor of Arts in Business Economics from the University of California Santa Barbara in 1980. Chris received his Certified Financial Planner from the University of Southern California in 1984. Prior to his positions in the public sector, he worked five years in the private sector as a personal investment consultant and financial planner.

A Southern California native, Chris lived 13 years in Sacramento and expresses pleasure at returning to the area where he has many friends. Chris and Robin, his wife, have 3 very active daughters and enjoy family soccer games, hiking, swimming, and skiing in their spare time. Chris feels a special affinity to teachers and CalSTRS. He was educated K-12 in the California public school system. In addition, his sister is a retired career California teacher in Northern California, plus he has two sisters-in law who are active members in CalSTRS.

Minimum Guaranteed Allowance Expanded

LEGISLATION PASSED IN 1999 (SB 713) GUARANTEED A MINIMUM

ANNUAL ALLOWANCE of at least \$15,000 to retired members and beneficiaries if the member retired with 20 or more years of service credit. That minimum guarantee is increased by \$500 per year of service, up to \$20,000 for 30 or more years of credited service.

SB 1505 (Chapter 1026, Statutes of 2000), extends that guarantee to more retired members or their beneficiaries than qualified under the first guaranteed minimum allowance law.

Who is Eligible?

From 4,000 to 5,000 retired members and beneficiaries are eligible for this expansion of the guaranteed minimum allowance. To qualify, they must have been receiving a benefit on January 1, 2000, and they must meet at least one of the following criteria:

- were inactive at the time of retirement but had at least 20 years of credited service
- were disabled but would have had 20 years of credited service if they had worked until age 60
- retired before March 21, 1974, with 19.5 or more years of credited service

- retired on or after March 21, 1974, with sufficient unused sick leave to reach 20 years of credited service
- had at least 20 years of credited service, including service credit awarded to an ex-spouse in a community property settlement
- retired before age 55 with at least 20 years of credited service (see below)

The service credit needed to qualify cannot be from unused sick leave (unless retired on or after March 21, 1974) the Golden Handshake Program or nonqualified service credit.

How is the Increase Figured?

The increased benefit will be based on the annual amount being paid to the member, including the supplemental purchasing power protection payments, as of January 1, 2001.

Example

A member retired at age 55 with 20 years of service credit and on January 1, 2001, had monthly allowance and quarterly supplemental payments totaling \$13,500. If this retired member met one of the eligibility requirements above, he or she would receive an annual increase of \$1,500.

The monthly increase will be increased each September 1 by 2 percent of the initial monthly amount. The first 2 percent simple cost-of-living adjustment will be made September 1, 2002. This is on top of the 2 percent simple COLA of the initial retirement allowance already given each September 1.

When Will Benefit Start?

This guaranteed minimum allowance benefit will start January 1, 2001. However, if you are eligible for the benefit, your first payment will be made in the allowance check issued on September 1, 2001. The allowance increase for August will be included in that check. The increases for January through July will be issued as a separate check and sent on or about September 1. Thereafter, the increase will be included in your regular monthly allowance payment.

What You Need to Do

CalSTRS will identify those retired members and beneficiaries eligible for the newly expanded guaranteed minimum allowance. You need to do nothing. CalSTRS will send you a notification letter telling you the amount of your allowance increase, by the end of August 2001.

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Retirement Before Age 55

For members who retired before age 55, the minimum guarantee will be reduced to reflect the impact of the lower age factor from the early retirement on the retired member's allowance. For example, for members with at least 30 years of service credit, rather than the \$20,000 minimum guarantee, the following minimum guarantee levels will apply:

Age of Retirement	Minimum Guarantee
50	\$15,714
51	\$16,571
52	\$17,429
53	\$18,286
54	\$19,143

The minimum guarantee for members retiring between the whole ages indicated above will be similarly adjusted. Partial years are prorated, i.e. a member who was age 53 1/2 at retirement will not be "rounded down" to age 53.



VISITORS TO THE SEPTEMBER 2000 TEACHERS' RETIREMENT BOARD MEETING ENJOY THE MEMBER ART GALLERY DURING A BREAK.

New Member Art Gallery Open You Can Display Your Art

Finishing touches were recently put on the new ground-floor CalSTRS boardroom and Member Art Gallery. The boardroom is larger than the previous one and offers high-tech amenities to board members, presenters and visitors. The star is the new Member Art Gallery, just outside the boardroom doors.

The 60-foot-long Member Art Gallery presents works of art by CalSTRS members and participants. The first display featured art in oil, photography, watercolor and ceramic in artistic styles ranging from traditional to contemporary. The exhibit changes each quarter.

Like to Exhibit Your Work?

If you want the opportunity to display your artwork, contact Peggy Plett, CalSTRS Deputy Chief Executive Officer of Administration, at 916-229-3900 or pplett@calstrs.ca.gov. You can discuss size, condition, shipping and suitability guidelines with her and she can send you a gallery fact sheet.

How Your Art Will be Displayed

An identification card is posted on the wall next to each item that gives the item name, your name and the medium used. If your art work is for sale, the price and availability will be noted on the card.

If you come to Sacramento, drop in and visit the new Member Art Gallery during normal business hours, Monday through Friday.



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Browse CalSTRS Web site at:

www.calstrs.ca.gov

*When contacting CalSTRS, be sure to
include your Social Security number.*



**SPECIAL
EDITION**

CalSTRS Vision Statement

CalSTRS is committed to lifetime security and service that meets the changing needs of California's educators.

State of California

Gray Davis, Governor
Aileen Adams, Secretary, State and Consumer Services
Agency

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Sherry Reser, Managing Editor

Susan Skeoch, Editor

Statements in this publication are general and the Teachers' Retirement Law is complex and specific. If a conflict arises between information contained in this publication and the law, any decisions will be based on the law.

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